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Editorial

So Long; Thanks for An Exciting 10 Years

By STUART J. HORTON

A little more than a decade ago, I didn't really even know what the term discount department store industry meant.

Now, I'm saying goodbye to that industry, which grew to become one of the most important parts of my life.

Beginning June 1, I will assume new responsibilities at our parent company, Lebhar-Friedman, as publication director/editor of *Drug Store News*. And so, this column serves as a farewell to many of you.

What better surroundings for this parting than the NMRI convention? This is my 11th consecutive such meeting and it's an event to which I've always looked forward and which I will surely miss.

The NMRI convention, in a way, parallels my own career at *Discount Store News* and the evolution of the industry. That association, discounting and all of us have matured over the past 10 years. We're all better for it.

Thinking back to 1972 and my first convention, I can remember many chains that no longer exist. And, although the convention was the largest up to that time, leaner days were ahead for the NMRI and all of us.

The mid-1970's were crisis years for discounting and the NMRI. They also weren't the most prosperous of years for this publication. But a revitalized NMRI and discounting survived to rebound strongly by the end of the decade, when I was named publication director of *DSN*.

Now, discounting is a mature, more stable industry, recent problems experienced by individual chains notwithstanding. The NMRI convention has grown into one of the most successful and respected meetings of its kind. And all of you have helped *DSN* evolve into the leading publication serving the discount department store field.

Admittedly, the preceding recap is rather sketchy, but the memories and friendships I'm bringing away from my association with discounting run deep.

I've been fortunate to be involved in a hectic industry that's experienced the most dynamic growth of any retail industry. I've seen firsthand and reported on some truly great American success stories. I've met and come to know some of the finest entrepreneurs who ever liv

I've made a ca of traveling the discount circuit, staying in h the events and people that we've written about and have all come to know.

Who in discounting hasn't made the trip to Bentonville, Ark., an arduous journey that is well worth the time? (By the way, I'm now convinced that the best route, due to frequent closings of the airport in Fayetteville, Ark., is to fly to Tulsa and drive the two hours to Bentonville.)

Visiting Boston, the cradle of discounting, always is a treat, always a trip back to our roots. And nothing to me ever was more fun than to spend a night at one of the roadside hotels outside of Cleve-

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Sol Price and son Robert look over merchandise in one of The Price Club's bare-bones wholesale/retail warehouse outlets that average over $56 million per unit. *(San Diego* Union-Tribune *photo)*

Bare-bones Price Club Expanding After Meaty $227 Million in 1981

By SUSAN WARNER

SAN DIEGO—Sol Price is marching again.

After racking up some $227 million in sales last year out of its four superwarehouse Price Club units, the chain has added three stores this fiscal year, has just started a new northern California division and aims to have 20 outlets in five years.

The burgeoning operation has also beefed up its executive ranks with the recent hiring of Walter H. Teninga, retired vice chairman and chief financial officer at K mart, to head up the northern division.

The cash-and-carry wholesale/retail warehouse club is pulling in on average some $56 million per unit, which, if everything goes according to plan, will make the Price Club a billion-dollar baby four years from now.

This fiscal year, ending Aug. 31, Sol Price and son Robert, president of the company, expect sales to hit $350 million with their bare bones merchandising concept.

And with a current earnings ratio of some 2% on sales, the operation can expect to reap some $7 million in profits, up from $5.1 million last year.

In the first quarter of this year the chain has already seen a sales jump of 49% to $110.3 million and an earnings climb of 31% to $2.1 million.

But the Prices are cautious. They know how things can

(Continued on page 170)

Chains Eye 3rd, 4th Qtrs. With Newfound Optimism

Nationwide DSN Survey

Discounters with solid first quarters under their belts are looking at the third and fourth quarters with new-found optimism.

Some are even boldly projecting upward to 18% sales jumps this fall.

The notes of optimism came, however, after crippling April weather bit into last month's sales results.

One discounter expecting a continuation of its strong spring sales performance was Target executive vp-merchandising Gerald Kanter.

"We're looking for an economic turnaround in the fourth quarter, but we're still being cautious in our approach," said Kanter, who confidently predicted his chain's 18% sales increase for its latest nine-week period would hold steady throughout the year.

One of the chain's expected growth areas will come from the consumer electronics category, according to Kanter.

Optimism was also found at Oklahoma City-based T.G. & Y., where a chief spokesman projected fall sales increases in the 12% to 16% range.

"We have the opportunity to capture a greater share of the marketplace with our planned upgrading of apparel, especially in the new AIM For The Best stores," he said. The chainwide apparel upgrading will be accomplished by expanding soft line categories and adding higher-priced name-brand merchandise.

"There will be a trade-up trend in all categories, to a degree," said the executive, "but

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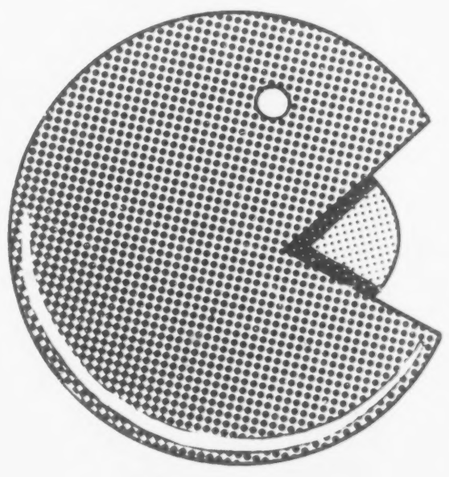


The Pac-Man Cometh, But For How Long?

Nationwide DSN Report

Can a monster-munching yellow dot outlive a little girl with strawberry curls?

Discounters can't say for sure, but they're betting inventory levels he won't last a year.

Despite National Pac-Man Day, record-breaking video game cartridge sales and an avalanche of Pac-Man painted and embossed products—from a hit song to plastic mugs—discounters say they are keeping a tight grip on licensed Pac-Man product orders. Unlike Strawberry Shortcake, a healthy two-year-old phenomenon, merchandisers don't think the little muncher will be around that long. Many are giving him a year at tops.

"In my opinion this is going to be a short-lived thing," said Alan Long, vp and hard lines merchandise manager for Magic Mart, Little Rock, Ark.

Cook United consumer electronics buyer Doug Bailey agreed: "I don't think it's a fad that's going to end right away, but supply is catching up with demand."

Bailey, like most discounters, believes the fate of the licensed character made famous by an arcade game is tied ever so closely to the demand for the new Atari game cartridge.

Pac-Man is the first video game whose image has spread to other products in the $13.7 billion licensing business, a business which industry officials predict will grow by 100% by 1990. Licensed apparel and apparel accessories currently make up $4.5 billion of the total licensing market.

However, those like Bailey, who believe Pac-Man's licensing success is tied to the game's sales, say trouble is brewing.

With Atari facing stiff com-

(Continued on page 170)

Our Biggest NMRI Convention Issue! See Pp. 33-153

HOUSEWARES

Mass Merchandisers Still Big No. 1

CHICAGO—With manufacturers' sales to mass merchandisers at $5.3 billion in 1981, the latter continued to have the largest share, by far, of the housewares market.

This retail segment accounted for 28% of manufacturers' total dollar sales to retail and wholesale outlets. The mass merchants' large volume last year, however, represented a small 1.3% gain over 1980.

Those are among the findings just released in the 15th Annual National Housewares Manufacturers Assn. research study of the industry.

In terms of market share, mass merchants were followed by department stores with 11%; catalog showrooms, 10%; drug stores, 6%; food stores, 6%; variety stores, 5%; hardware/housewares stores, 5%; mail order operations, 2%; home centers, 2%, and appliance retailers, 1%. All other outlets accounted for 5%.

As in past NHMA surveys, there is some confusion about which retailers are included in each retail segment. For instance, in reporting sales, some manufacturers listed Sears, Penney and Montgomery Ward as department stores; others called them mass merchandisers.

The NHMA survey lists the retail segment totals in whatever way manufacturers report their sales. The mass merchandiser category, which includes the discount operations, is therefore inflated by the inclusion of some sales to Sears, Penney and Ward.

To complicate the listing, a few manufacturers reported Walgreen's and Woolworth's, in addition to Woolco, as mass merchandisers. Other retailers were listed in more than one retail segment.

A Closer Look

Although the survey's retail category definitions aren't precise, the same uncertainties existed in all previous NHMA surveys. As a result, there is still enough consistency in the studies to draw conclusions about where the industry stands and where it's headed.

In 1980 the survey showed catalog showrooms and department stores running neck-and-neck in market share. In 1981 department stores pulled well ahead, with a 22.9% gain, to secure the No. 2 spot. Catalogers increased their share, but not enough to overtake the department stores.

The biggest gainers last year were the food stores, variety stores and home centers, all taking 33.8% more of manufacturers sales.

The hardware/housewares stores' segment took the biggest drop, 23.5% in 1981, probably due to the large number of small independents in this group who were hard hit by the recessionary economy.

Another decrease, 16.1%, was registered by the mail order operations, a category that is, ironically, usually touted as among the fastest growing in the retailing industry.

For discounters, the bottom line of the market share tally for 1981 is confirmation of what they already know. The housewares business is growing among a variety of retailers, with the consistent increases among the food and drug chains particularly threatening. Conventional department stores, scoring an impressive gain last year, can't be counted out, even as feisty competitors in price-sensitive housewares merchandise.

The NHMA survey was conducted by the market research firm B. Angell & Associates, based on questionnaires mailed to the 1,810 exhibitors at the January 1982 Housewares Exposition. Responding manufacturers numbered 659, or 36%.

The study also concluded housewares manufacturers sales in 1981 hit $19 billion, a 9% increase over 1980's sales of $17.5 billion.

Figures Analyzed

Manufacturers' sales directly to retailers in 1981 were 80% of the former's total; the remaining 20% went to various types of wholesalers. This distribution of sales represented little change from 1980's 81% to retailers, 19% to wholesalers.

If the industry's rate of growth continues at its current pace, the study projects housewares manufacturers' total sales will reach $33 billion by 1986.

Manufacturers' Dollar Sales by Retail Segment
(Add 000)

	1980	1981	% Change
Mass Merchandisers	$5,250,000	$5,320,000	+ 1.3
Department Stores	1,700,000	2,090,000	+22.9
Catalog Showrooms	1,700,000	1,900,000	+11.8
Drug Stores	99,400	114,000	+14.7
Food Stores	85,200	114,000	+33.8
Variety Stores	71,000	95,000	+33.8
Hardware/Housewares Stores	99,400	76,000	−23.5
Mail Order	42,600	38,000	−16.1
Home Centers	28,400	38,000	+33.8
Appliance Stores	14,200	19,000	+33.8
All Other	99,400	95,000	− 4.4

Source: National Housewares Manufacturers Association

A total of 659 manufacturers at the January 1982 Housewares Exposition responded to the annual NHMA survey. Once again they reported the largest portion of their sales were to mass merchandisers.

WINDOW SHOPPING

By MARILYN NEERMAN

Discounters walk the 1.2 million sq. ft. of McCormick Place, peruse the wares of more than 1,800 manufacturers and still manage to say, with a straight face—I didn't see anything new at the show.

Next time around, no one will be able to make that claim. If nothing else is new at the 77th NHMA National Housewares Exposition, scheduled for July 12-15 at Chicago's McCormick Place, there will be a change in the show's directory.

Agenda Listed

For the first time, the directory will indicate those manufacturers interested in exporting their merchandise, by placing a small symbol representing a globe in front of their booth numbers.

An NHMA spokesman said he fully expected some buyers to walk around in circles looking for a manufacturer whose booth number begins with an "O." Be forewarned, that "O" may be a globe.

There will be a couple of other "firsts" at the July housewares show.

It will be the first time the lower level of McCormick Place West will be used for a July show. Again, there will be a special Sunday opening in McCormick Place West on July 11.

Added Category

Another addition will be an exhibit by manufacturers from Hong Kong, represented by the Hong Kong Trade Development Council. Roger Chu, marketing officer for the Council, said Hong Kong manufacturers currently export about $380 million annually, F.O.B. Hong Kong, to the United States in housewares. Most of that is in electric housewares, to both manufacturers and directly to retailers.

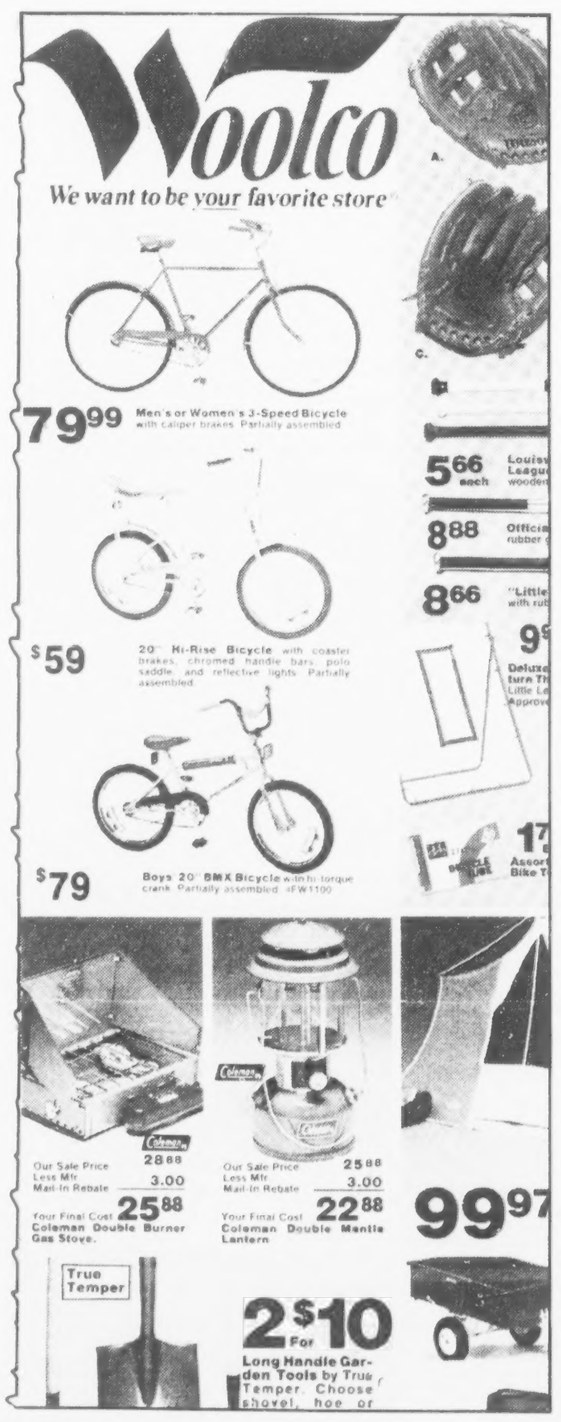
Chu said all merchandise presented at the show will be made in Hong Kong, even if all components aren't. There will be no merchandise in the exhibit from "the Mainland"; everything will be designated "Country of Origin: Hong Kong."

The NHMA announced that nearly 1,800 exhibitors have signed on for the July show, making it the "biggest NHMA summer event ever."

home
2 for $1 Reg. 2 for 1.58
Small plastic stack bins, approx. 4x5" Medium, approx. 4x7", sale $1 each
Large, approx. 5x10", sale $2 each
.99 Each, reg. 1.69 & 2.19
Plastics: laundry basket, wastebasket, pail, handi-pan, handi-caddy or vegie bin. Assorted colors.
3.49 Each
Shoe stack holds 8 pairs of shoes. Sturdy plastic in assorted pastel or bright colors. Save now!
14.99 Reg. 19.99
Bean bag chair in pastel gray, rose or green and other popular colors. Double stitched vinyl for long use.
TARGET

2 Approaches To Advertising Housewares

Target (left) was one of the few discounters who ventured to stock merchandise in this season's fashion color palette: pastels. The Minneapolis-based chain promoted a healthy mix of pastel-tinted plastic, housewares, linens and home furnishings on the front cover of a 16-page advertising supplement devoted to those categories. Woolco (right), for its part, is continuing to upgrade its image—in both advertising and store presentations. In advertising, the New York-based chain is now taking a classification approach. In the past, the chain used price-item advertising (two-color) to pull shoppers into key departments. Now, it's using four-color broadsheets and giving categories half- (shown here) and full-page space allotments.


Woolco
We want to be your favorite store
79.99 Men's or Women's 3-Speed Bicycle with caliper brakes. Partially assembled.
$59 20" Hi-Rise Bicycle with coaster brakes, chromed handle bars, polo saddle, and reflective lights. Partially assembled.
$79 Boys 20" BMX Bicycle with hi-torque crank. Partially assembled. #FW1100
5.66 each
8.88
8.66
Our Sale Price 28.88
Less Mfr. Mail-In Rebate 3.00
Your Final Cost 25.88
Coleman Double Burner Gas Stove.
Our Sale Price 25.88
Less Mfr. Mail-In Rebate 3.00
Your Final Cost 22.88
Coleman Double Mantle Lantern
99.97
True Temper
2 For $10
Long Handle Garden Tools by True Temper. Choose shovel, hoe or

HARDWARE

Late Spring Won't Cut Mower Biz

Old Man Winter tried, but will probably fail, to put a noticeable drop in spring lawn mower sales.

The severe early spring snow and rain storms that reached from the central plains states to the Southeast including North Carolina and Georgia temporarily postponed the start of the mower season from late March to early and mid-April.

Otherwise, sales are expected to be brisk, helped by the postponement of the Federally mandated safety controls that will eventually be required equipment on all mowers.

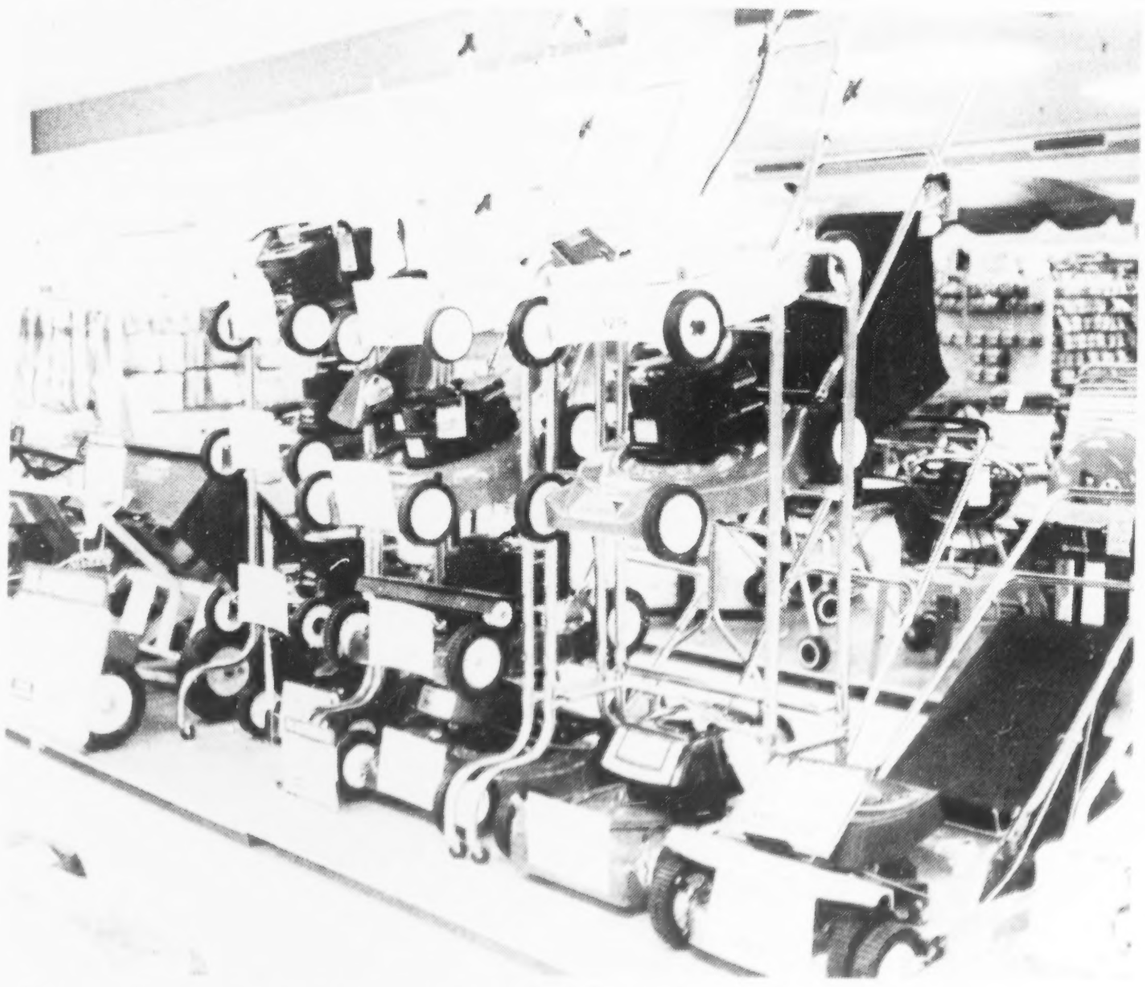
The latest 1982 projection concerning the size of the mower market places total manufacturer units to be shipped at 4,800,000. The figure represents an increase of 4.3% from the 4,600,000 units shipped in 1981, according to the Washington-based Outdoor Power Equipment Institute, which represents almost 95% of the nation's mower outlets.

The so-called "deadman clutch" innovation is now slated to appear in discounters' selections no earlier than the beginning of the 1983 spring selling season.

As of July 1, 1982, all manufactured mowers must have a variation of the automatic cut-off device in their mowers. The control was originally slated to be produced after Jan. 1, 1982.

Because of the one-season reprieve from being forced to sell mowers with the cut-off, Rose's buyer C. T. Finch expects a "good mower year.

"We're noticing a definite trade-up trend to our high-end [$187.97] push mower so far this year, mainly because people want to buy a higher quality mower before the new, more expensive models come out."



Spring will be a little late this year, but lawn and garden buyers report the season's mower sales will enjoy strong movement. Caldor, Paramus, N.J., stacks its selection on a narrow aisle platform. *(DSN photo)*

Although he has cut back 15% on total dollars spent for the category in order to minimize overstocks, Finch foresees good movement in his four-sku Murray selection: "Every four years we see a sales jump, and the last surge was in spring 1978."

Margins will come from the two higher-end push mowers and Rose's single riding entry, an 11h.p. $977 Murray model. Margins on the $107.97 ($94 advertised) promotional model average 15%, even with a shipping advantage that has Rose's own trucks transporting the merchandise according to unit movement dictated by the store's selling patterns.

Margins average 22% to 24% on the remaining three mowers.

Mower sales at Murphy's Mart have been "better than anticipated, with stores turning in early reorder requests," according to a spokesman.

Part of the strong reorder showing was attributed to a 30% drop in Murphy's Mart original order shipment, to 7,000 total units ordered chainwide.

"We're carrying the same number of sku's, but decided to cut back original shipments because of freight costs. It's cheaper for each store to reorder," said the spokesman. An average Murphy's Mart store usually sells 50-60 push and 12 riding units per season.

The only significant difference in the chain's mower mix for spring '82 is the absence of its low-end private label unit.

With an under-$100 price tag on its low-end model, Murphy's Mart joined a shrinking discounter list. In a recent broadsheet insert K mart advertised a single-blade 18-in. Black & Decker electric rotary mower for $89.99; Rose's will advertise its low-end at $94, and Pamida will sneak under the $100 mark with an ad price of $99.99 on its low-end Mastercraft model.

Among the chains that were unable to stay near the $100 mark was Caldor, which offered an electric Black & Decker mower at a regular price of $129.99.

Despite the late spring in the Midwest, Pamida buyer Vince Digilio predicted 1982 will be a good year. The buyer's six sku's are down two from last year.

Digilio's spring '82 selection features four sku's of Mastercraft push mowers ranging in price from $118 to $249, and two Dynamark riding mowers.

With the chain's stores ranging in size from 28,000 sq. ft. to 60,000 sq. ft., Digilio is forced to stack the mowers in a 24 to 30 running-foot aisle, depending on the unit's size. "We're doing the best we can under difficult space requirements," said the buyer.

TSS, Gee Bee Swelling Bathroom Vanity Mix

Discounters trying to build vanity sales are finding growth has become a matter of promotion.

K mart, for example, in a recent Detroit-area ad insert, promoted three sku's of bathroom vanities along with a wide selection of chain coupons for items both within and outside of bathroom/hardware.

The four-color spread promoted a 22-in. x 33-in. stainless steel, twin-bowl sink for $29.88, 12-in. x 12-in. floor tiles at 86¢ each and a tile-cutting knife for $1.47 (when purchased with a 70¢-off coupon) in addition to almost 60 "cents-off" coupons.

At Times Square Stores, where sales are "coming on strong," an expansion of the vanity category is now under way. The expansion is a result of a two-year program that will eventually increase total category sku's to 75 from eight to 10.

The program began in late April, with the chainwide completion scheduled for the next "six to nine months," according to a chain source.

The spokesman explained the chain's vanity success by saying, "a very large portion of our clientele has money, and they're not afraid to spend."

The spokesman added high mortgage rates also are contributing to vanities' solid sales performance. "People can't move, so they're forced to remodel their existing homes."

Gee Bee, Johnstown, Pa., is also planning to expand its vanity count. The chain had limited its stock mainly to 17- and 19-in. models, keeping one display unit on the sales floor and two backup units in the stockroom, ready to be taken away by customers.

A spokesman for Cook United termed vanity movement as "not bad, but nothing to write home about." The chain carries Commodore at the low end, but price points range from a $39.99 promotional unit up to a $165.99 high-end model.

In a recent Detroit-area ad insert, K mart featured chain coupons for a variety of hardware-related items, along with giving prominent space to a three-sku selection of bathroom vanities.

HARD LINES

By FRANK CAVALIERE

With the national economy showing only sporadic signs of recovery, 1982 sales projections for charcoal, gas and electric barbecues are for another record year, according to the Barbecue Industry Association.

The connection is that more people are finding it difficult to take an away-from-home vacation, so they are seeking to upgrade their at-home patio living.

Record 1982 sales projections come at the heels of a record 1981.

Estimates for 1980 and 1981 unit and dollar manufacturer sales for the three grill categories follow. All data is for the fiscal periods ending Aug. 31.

	1980		1981	
	Units	Dollars	Units	Dollars
Charcoal	10,158,304	112,531,961	10,229,045	122,582,391
Gas	1,587,420	162,435,925	1,737,351	183,476,221
Electric	99,190	3,871,550	109,220	4,829,638
TOTAL	11,844,914	278,839,436	12,075,616	310,888,250

Source: Barbecue Industry Association, Naperville, Ill.